

**TREASURY OVERSIGHT COMMITTEE
MINUTES OF MEETING
April 26, 2006**

ATTENDANCE:

PRESENT:

Members: Barry I. Newman, Public Member, Chairman
Dan McAllister, Treasurer-Tax Collector
Helen Robbins-Meyer, Assistant Chief Administrative Officer
Lora Duzyk, Asst. Superintendent, S.D. Co. Office of Ed
Vernon Evans, Public Member
Scott Patterson, Chief Financial Officer S.D. Co. Unified School District
Annette Hubbell, Public Member
Renee Wasmund, Public Member

Ex-Officio Members Donald Steuer, Chief Financial Officer, Auditor & Controller
Janel Pehau, Director, Office of Financial Planning

ABSENT: Tracy Sandoval, Asst. Chief Financial Officer, Auditor & Controller
Chris Zapata, National City Manager
Wilmer Cooks, Public Member

County Staff: Lisa Marie Harris, Deputy Treasurer, Treasury Division
Rob Castetter, Chief Investment Officer, Treasurer-Tax Collector
Mark Van Den Herik, Investment Officer, Treasurer-Tax Collector
Jorge Sandoval, Investment Officer, Treasurer-Tax Collector
Orgia Senior, Administrative Secretary, Treasurer-Tax Collector
Suzanne Torres, Deputy Treasurer, Administration & Support Treasurer-Tax Collector
Bill Smith, Sr. Deputy County Counsel
Dan Bartos, Student Worker, Treasurer-Tax Collector
Rachel Witt, Sr. Deputy County Counsel

CALL MEETING TO ORDER

Chairman, Barry Newman, called the meeting to order at 1:35 p.m. in Tower 8 of the County Administration Center.

1. REQUEST BY PUBLIC TO ADDRESS THE TREASURY OVERSIGHT COMMITTEE ON ANY MATTER WITHIN THE COMMITTEE'S JURISDICTION

There were no comments from members of the public for the Treasury Oversight Committee.

2. **APPROVAL OF NOVEMBER 9, 2005, MEETING AGREEMENTS/ACTIONS AND MINUTES.**

Mr. Newman asked for a motion to approve the minutes from the last meeting on November 9, 2005. There was a correction to the minutes: Helen Robbins-Meyers and Lora Duzyk were present. The motion to approve the minutes was made, seconded, and approved by committee members.

3. **TREASURER'S INVESTMENT REPORT FOR THE MONTH OF MARCH**

Rob Castetter reported that the Investment portfolio is at \$4.3 billion dollars. The yield maturity is 4.10. It is projected that the rates will continue to increase this summer. Between April and July there will be almost \$800 million in securities maturing that have two percent returns which will be replaced with higher yields. Lisa Marie Harris announced that the department received a National Association of Counties (NACO) award for the Month End Reports that are completed monthly by the Investment Office. She stated that the Investment's Month End Reports have state-wide recognition.

4. **COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) INVESTMENT POOL COMPLIANCE OPINION LETTER**

Mr. McAllister announced that the Comprehensive Annual Financial Report (CAFR) has been completed. He stated each Treasury Oversight Committee member should have received their copies of the (CAFR) report in the mail. The audit report was also completed on time. Mr. McAllister stressed that it is the department's goal to meet deadlines in a timely manner.

Mr. McAllister introduced Jorge Sandoval, the new Investment Officer in the Treasurer-Tax Collector's office. He stated that Mr. Sandoval was previously employed with G. E. Capital. He comes with a wealth of knowledge, and he has multiple degrees in financing and in engineering. Mr. McAllister also introduced Dan Bartos, Student Worker, who will be graduating from San Diego State University with a Bachelor's Degree in May. Bill Smith introduced Rachel Witt, Senior Deputy County Counsel, who will be assisting him in the financing section of County Counsel.

Mr. McAllister stated that over the last few years he has discerned there is a growing interest in the County to explore with the local community banks the options of making

investments with the County's Investment pool. The County's concept is that we should be able to do more business with the local community banks whenever possible. The County has 35-40 different firms that are located out of the county that will provide the highest yields from an investment perspective. By the middle of May, the County will have a total of 16-18 local community banks that are FDIC insured who have agreed to invest up to \$100,000 with the County's Investment Pool.

Mr. McAllister indicated that Supervisor Ron Roberts is very supportive of the plan for the County Treasurer-Tax Collector's office to invest with the local banks.

Lisa Marie Harris stated that each transaction with the local banks is less than \$100,000 and each is FDIC insured. The Treasurer's office did explore the best way to achieve the highest yield. She also explained that a significant benefit of these local deposits is the providing of financial resources to the community which can then be made available for housing and small business loans.

The Treasurer negotiated a rate of the T-bill plus 5 basis points to be fair and compensate the County well for the one year CD.

5. UPDATE ON BROKERS/DEALERS – REQUEST FOR STATEMENT OF QUALIFICATIONS

Lisa Marie Harris reported that Mr. McAllister wants to have a Request for Statement of Qualifications (RFSQ), or an open bid process for the broker-dealer transactions that will take place in San Diego County. The transaction totals to almost \$25 billion dollars. The brokerage firms would give the County financial information on an annual basis as well as send us information on coverage for the County. The Investment Policy that was implemented last year states that we would conduct a Request for Statement of Qualifications every two years to get financial information. As our strategies change, we can update our broker/dealer list.

Every two years the San Diego County Treasurer's office can revisit some strategies on how to get safe liquidity yields and access to the marketplace.

Vernon Evans asked if there were any minority brokers applying for the Request for Statement of Qualifications (RFSQ)? Lisa Marie Harris answered that quite a few minority brokers did respond to the Request for Statement of Qualifications, but the

Investment Policy required a \$10 million capital requirement, which eliminated all of the minority brokers. Lisa Marie indicated that she did some research with other cities and found that most counties do not have a minimum capital requirement. She requested that a sub-committee should be formed to do an evaluation on who has a minimum capital requirement across the state.

Mr. Newman stressed that safety is always a critical rule for the Treasury Oversight Committee. He recommended that a sub-committee be created to evaluate the net capital requirements for investments. Vernon Evans, Tracy Sandoval, Lisa Marie Harris, and Lora Duzyk will serve on the sub-committee and they will report back to the Oversight Committee at the next meeting.

6. INVESTMENT POLICY ON LIQUIDITY DEFINITIONS FINAL SUB-COMMITTEE REPORT AND RECOMMENDATIONS

Mr. Newman asked the sub-committee that met on Liquidity Definitions for the Investment Pool to report their recommendations. Mark van den Herik reported that the sub-committee met to discuss Liquidity Definitions for the Investment Policy and recommended new definitions for liquidity. Based upon their survey of brokerage firm traders, the sub-committee recommended to the Oversight Committee that the Investment Policy language be changed to the following Liquidity Category's: Local Agency Obligations to Moderately Liquid; Collateralized Certificates of Deposit to Illiquid; all other authorized investments to Liquid. Mark van den Herik indicated that since these liquidity definitions were based on a long term perspective of trader's experiences, they should remain fairly stable over time.

7. PRESENTATION ON MARKET CONDITIONS

Rob Castetter gave a brief report on the market conditions. He stated that the Federal funds should continue to increase at a measured pace. We expect the yield to move towards 4.50% by August, 2006. The longer yields should remain flat to the short-term yields, as a result of market expectations for the Federal Reserve is close to finish raising rates.

8. **ANNUAL ELECTION**

The annual election for Chairman was voted on by committee members. A motion was made, seconded, and approved by committee members to re-elect Barry Newman as Chairman of the Treasury Oversight Committee.

9. **NEXT TREASURY OVERSIGHT MEETING**

The next Treasury Oversight Committee meeting will be held on Wednesday, October 25, 2006, at 1:30 p.m., at the County Administration Bldg., 1600 Pacific Highway, in Tower 8.

The meeting adjourned at 2:50 p.m.

Minutes taken by: Orgia Senior, Executive Secretary